

TEACHERS' RETIREMENT BOARD
SUBCOMMITTEE ON CORPORATE GOVERNANCE

SUBJECT: Securities Litigation Update

ITEM NUMBER: 6
ATTACHMENT(S): 0

ACTION: _____

DATE OF MEETING: February 6, 2002

INFORMATION: X

PRESENTER(S): Chris Waddell

Calendar year 2001 ended with a total of 487 federal securities fraud class action filings nationally. This is more than twice the average number of annual filings in the prior three years. As noted previously, for the years 1998 through 2000, the number of annual filings ranged from a low of 205 to a high of 236. Again, most of this increase is attributable to the filing of suits over the allocation of shares in IPO's (initial placement offers)—so-called "laddering" cases. Of the 487 cases filed, 311 involved IPO issues and 176 involved traditional securities fraud issues such as material misrepresentation, accounting irregularities, and/or insider trading. It is interesting to note that the number of filings involving such traditional allegations is actually down from prior years.

CalSTRS Investment Office staff continues to screen all non-laddering cases to determine if the potential losses exceed the \$5 million threshold set by policy. In addition, the Investment Office continues to track class action settlement recoveries. In the second quarter of the fiscal year, CalSTRS received a total of \$174,734.16 in proceeds from 19 settlements, bringing our fiscal year to date recovery to \$750,869.93 in 33 cases. From the inception of the tracking of these settlements, CalSTRS has received a total of \$11,896,648.35 in 518 cases.

Staff is available to answer any questions from Subcommittee members.